Sanitec UK Limited

Annual report and financial statements

Registered number 4066175

For the year ended 31 December 2013

Contents

Strategic report

The Directors present their strategic report for the year ended 31 December 2013.

Principal Activities

Sanitec UK Limited (the "Company") is a non trading company which owns 100% of Twyford Holdings Limited which in turn owns 100% of Twyford Bathrooms.

Business review

Previous impairment charges of £82m, recognised in 2008, in relation to the investment in Twyford Holdings Limited, have been partially reversed in the current period following the sale of the Sanitec UK group to Sanitec Corporation in February 2013. A carrying value of £67.3m has been recognised based upon the valuation of the Sanitec UK group as at 1 January 2013.

Key performance indicators

The company does not trade and its only activity is that of a holding company. Therefore the Directors do not monitor key performance indicators on a regular basis.

Principal risks and uncertainties

The recoverability of the investment in Twyford Holdings Limited is dependent upon the future trading results of Twyford Bathrooms.

Future developments

It is the Directors intention that the company continues to exist as a holding company for the foreseeable future.

Gun Nilsson
Director

Date 10th Sept 2014.

Lawton Road
Alsager
Stoke-on-Trent

ST7 2DF

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2013.

Proposed dividend

The directors do not recommend the payment of a dividend (*2012: nil*)

Directors

The directors who held office during the year were as follows:
J Blackburn
L Strand
G Nilsson

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Gun Nilsson
Director

Date 10th Sept 2014.

Lawton Road
Alsager
Stoke-on-Trent

ST7 2DF

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Sanitec UK Limited

We have audited the financial statements of Sanitec UK Limited for the year ended 31 December 2013 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nicola Quayle

Nicola Quayle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS

26 September 2014

Income statement
for the year ended 31 December 2013

	Note	**2013** **£000**	2012 £000
Administrative income - reversal of previous impairment charges	*3*	**67,301**	-
Financial expenses	2	**(307)**	(303)
Profit on ordinary activities before taxation	*3*	**66,994**	(303)
Taxation	*5*	**-**	-
Profit/(loss) for the year	*9*	**66,994**	(303)

The company has no recognised gains or losses other than those reported above and therefore no Statement of Other Comprehensive Income has been presented.

The notes on pages 10 to 15 form part of these financial statements.

Statement of financial position

at 31 December 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Investment in subsidiaries	6	67,301	-
Total assets		67,301	-
Current liabilities			
Trade and other payables	7	7,699	7,392
		7,699	7,392
Total liabilities		7,699	7,392
Net assets		59,602	(7,392)
Equity			
Share capital	8	86,087	86,087
Retained earnings	9	(26,485)	(93,479)
Total equity		59,602	(7,392)

The notes on pages 10 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 10th Sep '14 and were signed on its behalf by:

Gun Nilsson
Director

Cash flow Statement

for the year ended 31 December 2013

	Note	2013	2012
		£'000	£'000
Cash flows from operating activities			
Profit/(loss) for the year		**66,994**	(303)
Adjustments for:			
Interest payable		**307**	303
Reversal of previous impairment charges		**(67,301)**	-
Net cash from operating activities		**-**	-
Change in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of the period		**-**	-
Cash and cash equivalents at the end of the period		**-**	-

Statement of changes in equity
at 31 December 2013

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2013	86,087	(93,479)	(7,392)
Total comprehensive income for the period	-	66,994	66,994
Balance at 31 December 2013	**86,087**	**(26,485)**	**(59,602)**

at 31 December 2012

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2012	86,087	(93,176)	(7,089)
Total comprehensive income for the period	-	(303)	(303)
Balance at 31 December 2012	**86,087**	**(93,479)**	**(7,392)**

Notes

1 Accounting policies

Sanitec UK Limited (the "company") is a company incorporated and domiciled in the UK.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2012 for the purposes of the transition to Adopted IFRSs.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Sanitec Europe Corporation, the Company's immediate parent. Sanitec Europe Corporation has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Transition to Adopted IFRSs

The Company is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 11.

Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Notes *(continued)*

Taxation *(continued)*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Impairment

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

2 Financial expenses

	2013 £000	2012 £000
Interest on intercompany loans	**307**	303

3 Notes to the income statement

Previous impairment charges of £82m, recognised in 2008, in relation to the investment in Twyford Holdings Limited, have been partially reversed in the current period following the sale of the Sanitec UK group to Sanitec Corporation in February 2013. A carrying value of £67.3m has been recognised based upon the valuation of the Sanitec UK group as at 1 January 2013.

Auditor's remuneration of £1,000 for the audit of these financial statements is borne by Twyford Bathrooms, a subsidiary undertaking, without recharge.

4 Remuneration of directors and employees

No directors have received any remuneration during the year (*2012: Nil*).

The company has no employees other than the directors.

5 Taxation

	2013 £000	2012 £000
UK Corporation tax		
Current tax on profit/(loss) for the period	-	-
Total current tax	-	-
Deferred tax		
Reversal of timing differences	-	-
Tax on loss on ordinary activities	-	-

Notes *(continued)*

5. Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2012: higher)* than the standard rate of corporation tax in the UK of 23.25% *(2012: 24.5%)*.The differences are explained below.

	2013 £000	2012 £000
Current tax reconciliation		
Profit/(loss) for the year	**66,994**	(303)
Current tax at 23.25% *(2012: 24.5%)*	**15,576**	(74)
Effects of:		
Non taxable income/expense	**(15,576)**	74
Total tax expense	**-**	-

6. Investment in subsidiaries

The Company has the following investments in subsidiaries:

	Country of Incorpor-ation	Class of shares held	Ownership 2013	2012
Twyford Bathrooms*	Unincorporated	Ordinary	**100%**	100%
Twyford Holdings Limited	UK	Ordinary	**100%**	100%

*Principal place of business of this subsidiary is the UK. This investment is held indirectly through Twyford Holdings Limited.

	£000
Cost at 1 January 2013 and 31 December 2013	82,549
Impairment at 1 January 2013	82,549
Reversal of previous impairment charges (note 3)	(67,301)
Impairment at 31 December 2013	15,248
Net book value at 31 December 2013	67,301
Net book value at 1 January 2013	-

7. Trade and other payables

	2013 £000	2012 £000
Amounts owed to group undertakings	**7,699**	7,392

Notes *(continued)*

8 Share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
86,087,108 ordinary shares of £1 each *(2010: 86,087,108)*	**86,087**	86,087

9 Reserves

	Retained earnings £000
At beginning of year	(93,479)
Profit for the financial year	66,994
At end of year	**(26,485)**

10 Ultimate parent company and parent undertaking of a larger group of which the company is a member

The company is a subsidiary undertaking of Sanitec Corporation, a parent company of the Sanitec Group, incorporated in Finland.

The largest group in which the results of the company are consolidated is that headed by Sanitec Corporation. The consolidated accounts are available to the public and may be obtained from the registered office:

Sanitec Group Headquarters/Sanitec Corporation
Kaupintie 2
00440 Helsinki
Finland

11 Explanation of transition to IFRS

Reconciliation of net income for period ended 31 December 2012

	UK GAAP £'000	Effect of transition to adopted IFRS £'000	Adopted IFRS's £'000
Financial expenses	(303)	-	(303)
Loss on ordinary activities before taxation	(303)	-	(303)
Tax on profit on ordinary activities	-	-	-
Loss for the year	(303)	-	(303)

Notes *(continued)*

11 Explanation of transition to IFRS *(continued)*

Reconciliation of equity

	1 January 2012 £000	1 January 2012 £000 Effect of transition to adopted IFRS	1 January 2012 Adopted IFRS	31 December 2012	31 December 2012 Effect of Transition to Adopted IFRS	31 December 2012 Adopted IFRS
Current Liabilities						
Trade and other payables	(7,089)	-	(7,089)	(7,392)	-	(7,392)
Total liabilities	(7,089)	-	(7,089)	(7,392)	-	(7,392)
Net liabilities	(7,089)	-	(7,089)	(7,392)	-	(7,392)
Equity						
Called up share capital	86,087	-	86,087	86,087	-	86,087
Retained earnings	(93,176)	-	(93,176)	(93,479)	-	(93,479)
Total equity	(7,089)	-	(7,089)	(7,392)	-	(7,392)

There are no material differences as at 1 January 2012 and 31 December 2012 between Adopted IFRS and UK GAAP which impact the company.

Explanation of transition to Adopted IFRS's

Explanation of material adjustments to the cash flow statement for the year ended 31 December 2012

Under UK GAAP, the company was not required to, and did not, prepare a cash flow statement and there are no material differences which impact the company's cash flow statement between UK GAAP and Adopted IFRSs in the year ended 31 December 2012.

Notes to the reconciliation of equity and net income-

The Company's financial statements for the year ended 31 December 2013 are the first annual financial statements that comply with IFRS. These financial statements have been prepared as described in note 1. The transition date is 1 January 2012.